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SUBJECT: SYLLA/FUTURLEC SAGA: BLOCKING GUINEA'S PROGRESS TO A
FUNDED IMF PROGRAM?

REFS: (A) Conakry 1718, (B) Conakry 1446

¶1. (SBU) SUMMARY. In the aftermath of the IMF's recent criticism of Guinea's monetary and economic performance (ref A), EconOff discussed Guinea's return to a funded program with IMF resident representative Alvin Hilaire. In Guinea for less than two months, Hilaire echoed the donor community's fatigue of Guinea's inadequate economic reforms. Hilaire said the private Central Bank accounts of Mamadou Sylla as well as relations between his holding company, Futurlec, and the central government remain the most conspicuous problems. After three audits of Futurlec's transactions with the government, the matter remains unresolved. The audits were the subject of much public speculation but, in the end, provided more questions than answers and highlighted Guinea's fiscal weaknesses. Hilaire believes holding Sylla responsible for his debts would be interpreted as proof of Guinea's will and ability to implement reforms, and would restore some confidence in the government. End Summary.

Sylla and Futurlec Wearing Heavily On Guinea

¶2. (SBU) The recent IMF technical team's assessment of Guinea's economic and monetary performance was critical (ref A). As the government of Guinea analyzes the team's findings, EconOff asked Guinea's IMF resident representative, Alvin Hilare, what Guinea could and should do to reestablish a funded IMF program. Hilaire said policy changes, while necessary, take time, but for immediate positive effect, Guinea must resolve the "fiasco" of Mamadou Sylla's overdrawn personal accounts at the Central Bank as well as unclear financial transactions between his company, Futurelec, and the national government.

¶3. (SBU) Initially one of the IMF's preconditions for return to a funded program, the Sylla/Futurlec problems remain the subject of much public speculation and provide fodder for critics of the government (ref B). The third and most recent of the audits was to be the definitive accounting, but it raised more questions than answers. The official audit results have not been widely published -- neither EconOff nor the IMF representative has seen the full report.

I WON! I WON!

¶4. (SBU) Upon the conclusion of the audit, Sylla declared victory and circulated a redacted and heavily edited portion of what purports to be the definitive accounting. Sylla's company, Futurlec, did and still does provide bonafide services to the government of Guinea. Its current services are primarily supplying

food and other provisions to the military. Many of these transactions are considered "sovereign" and are not made public. The audit clearly stated that the findings "do not take into account any of the transactions linked to sovereign expenditures for which there exists no one set of justifying documentation." Since the services are ongoing, it is most likely that the government of Guinea has outstanding debts to Futurlec.

15. (SBU) However, Sylla also had a personal account at the Central Bank, unrelated to services Futurlec provided to the government. That personal account was overdrawn by 6 million USD. In their accounting, Sylla and his lawyers leverage the government of Guinea's contractual obligations to Futurlec against Sylla's personal debts. In the accounting process, as in general discussion of the matter, separation of Sylla and Futurlec is nearly impossible. At the Central Bank itself, the Sylla and Futurlec accounts were crossed at various points, with funds being transferred between the two. The contradictory audit results are mired in the inability to determine where Sylla's account begins and Futurlec's ends.

AND THE WINNER IS?

16. (SBU) The ambiguity of the audits fatigues the donor community. The "fiasco" to which Hilaire refers is both a reflection of presidential cronyism and the Central Bank's chaotic bookkeeping practices. Although present in Guinea for less than two months, Hilaire already exhibits little patience for the host government's inadequate reforms. The Sylla/Futurlec affair is particularly egregious, and Hilaire refuses to allow the issue to be muddled. His stance on holding Sylla responsible mirrors that of the IMF technical team.

CONAKRY 00001763 002 OF 002

COMMENT

17. (SBU) COMMENT. The lone bright spot in Guinea's economic picture is the series of budget reforms implemented for FY2007 and their attendant budget review and justification processes. Those reforms, however, are largely the results of U.S. Treasury technical assistance and World Bank norms to which the government has agreed to conform. Those steps, while admirable, do little to raise the public's confidence in the government or satisfy the donor community's desire for more immediate results. It is clear that, in the eyes of the donor community, the Futurlec saga and Sylla himself are liabilities to Guinea.

MCDONALD